



## **GA SEGONYANA LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## General Information

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### Nature of business and principal activities

Providing services to the community of Ga Segonyana

### Mayoral committee

Mayor

T.G. Anthony

Councillors

T.E. Meyers (Speaker)

E.B. Modise

K.A. Keikabile

F.P. Byleveld

K.R. Makwati

N.G. Disipi

K.B. Madikiza

B.A. Motlatsi

N.G. Morogong

L.C. Rapelang

N.S. Bloem

P.Q. Mogatle

N.G. Thupaemang

L.S. Motingwe

S.M. Ryan

M.J. Dichabe

K. Bless

G.C. Assegaai

M.J. Polelo

T.H. Lekgetho

T.T. Tlholonyane

M. Lebereane

R.R. Molelekwa

M.A.P. Brink

### Accounting Officer

E. Ntefang

### Chief Finance Officer (CFO)

T. Jarvis (Acting) 01/02/2016 to 31/07/2016

K. Khoabane 01/06/2014-31/01/2016 (Resigned)

### Registered office

Coner Voortrekker and School Street  
Kuruman

### Business address

Coner Voortrekker and School Street  
Kuruman

### Postal address

Private Bag X1522  
Kuruman  
8460

### Bankers

ABSA

### Auditors

Auditor General (South Africa)

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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The reports and statements set out below comprise the Annual Financial Statements presented to the provincial legislature:

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### Abbreviations

ACIP	Accelerated Community Infrastructure Program
ASB	Accounting Standards Board
DBSA	Development Bank of South Africa
DME	Department of Minerals and Energy Grant
DWAF	Department of Water Affairs
EPWP	Expanded Public Works
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MWIG	Municipal Water Infrastructure Grant
PAYE	Pay As You Earn
RHIG	Rural Housing Infrastructure Grant
SARS	South African Revenue Services
SDL	Skills Development Levies
UIF	Unemployment Insurance Fund

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Responsibilities and Approval

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.


The Accounting Officer has reviewed the municipality's cash flow forecast for the 12 months to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, the Annual Financial Statements are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's Annual Financial Statements. The Annual Financial Statements have been examined by the municipality's external auditors and their report is separately presented.

The Annual Financial Statements set out on pages 5 to 66, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2016.

There has been a change in leadership of the municipality during the financial year and subsequent to year end. There are new councillors that were appointed following the local government elections that were held in August 2016. During the financial year under review Councillor Bles and Councillor Tiholonyane passed on.



Edward Ntefang  
Municipal Manager

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2016.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 8 meetings were held.

Name of member	Number of meetings attended
Ms L. Dhlamini	8
Ms S. Motlhabane	1
Mr S. Simelane	6
Mr AB.Ngobeni	4

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The following issues are highlighted by the Audit and Performance Committee as points of concern:

- Insufficient preventative control measures and ineffective monitoring of controls.
- Non adherence to policies and procedures.
- Repeat internal audit findings (performance management and MFMA Compliance audit.
- Repeat external audit findings
- No consequence management and ineffective oversight structures

### Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report on the Annual Financial Statements, and are of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: \_\_\_\_\_

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand		2016	2015 Restated*
<b>ASSETS</b>			
<b>Current Assets</b>			
Inventories	3	21 039 723	22 901 751
Receivables from exchange transactions	4	21 778 066	18 522 726
Trade and other receivables	5	19 767 409	21 778 340
VAT receivable	6	29 459 373	4 113 731
Cash and cash equivalents	7	532 367	812 068
		<b>92 576 938</b>	<b>68 128 616</b>
<b>Non-Current Assets</b>			
Investment property	8	6 961 100	6 961 100
Property, plant and equipment	9	1 046 994 939	981 183 199
Intangible assets	10	538 962	571 869
Heritage assets	11	1 650 000	1 650 000
Loans receivable		49 388	389 569
		<b>1 056 194 389</b>	<b>990 755 737</b>
<b>TOTAL ASSETS</b>		<b>1 148 771 327</b>	<b>1 058 884 353</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Other financial liabilities	12	4 669 354	2 293 905
Finance lease obligation	13	1 278 177	622 538
Payables from exchange transactions	14	101 156 756	46 290 363
Consumer deposits	15	3 781 051	3 076 154
Employee benefit obligation	16	1 155 225	779 929
Unspent conditional grants and receipts	17	8 911 218	7 944 174
Bank overdraft	7	-	181 117
		<b>120 951 781</b>	<b>61 188 180</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	12	19 192 514	21 721 539
Finance lease obligation	13	1 921 988	739 505
Employee benefit obligation	16	22 977 727	22 789 058
Provisions	18	9 860 959	10 767 922
		<b>53 953 188</b>	<b>56 018 024</b>
<b>TOTAL LIABILITIES</b>		<b>174 904 969</b>	<b>117 206 204</b>
<b>NET ASSETS</b>		<b>973 866 358</b>	<b>941 678 149</b>
<b>Reserves</b>			
Revaluation reserve	19	20 837 415	20 837 415
Accumulated surplus		953 028 943	920 840 734
<b>TOTAL NET ASSETS</b>		<b>973 866 358</b>	<b>941 678 149</b>

\* See Note 41

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand		2016	2015 Restated*
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Sale of stands		7 413 893	4 249 578
Service charges	21	99 841 926	100 311 968
Rental of facilities	22	1 974 231	2 352 028
Interest on outstanding receivables		5 016 214	4 072 892
Interest on investments		1 033 338	1 693 142
Licences and permits		4 510 550	4 584 977
Other revenue		6 376 299	2 688 837
<b>Total revenue from exchange transactions</b>		<b>126 166 451</b>	<b>119 953 422</b>
<b>Revenue from non-exchange transactions</b>			
Property rates	24	31 171 638	31 078 474
Government grants & subsidies	25	220 463 419	185 633 769
Public contributions and donations	26	8 217 639	20 949 703
Fines, penalties and forfeits		2 168 435	13 999 285
<b>Total revenue from non-exchange transactions</b>		<b>262 021 131</b>	<b>251 661 231</b>
<b>Total revenue</b>	20	<b>388 187 582</b>	<b>371 614 653</b>
<b>EXPENDITURE</b>			
Employee related costs	27	(97 473 147)	(90 553 709)
Remuneration of councillors	28	(7 637 627)	(7 001 715)
Depreciation and amortisation	29	(48 760 891)	(45 603 579)
Impairment loss	30	(1 429 049)	(50 086)
Finance costs	31	(6 252 468)	(5 318 754)
Provisions	32	(10 364 543)	(25 557 836)
Repairs and maintenance		(28 703 283)	(22 178 311)
Bulk purchases	33	(68 814 609)	(59 421 554)
Contracted services	34	(8 897 819)	(8 453 763)
General expenses	35	(79 603 619)	(78 092 409)
<b>Total expenditure</b>		<b>(357 937 055)</b>	<b>(342 231 716)</b>
<b>Operating surplus</b>		<b>30 250 527</b>	<b>29 382 937</b>
Profit on disposal of assets		(16 451)	(6 486)
Actuarial gains	16	1 908 344	2 725 825
		<b>1 891 893</b>	<b>2 719 339</b>
<b>SURPLUS FOR THE YEAR</b>		<b>32 142 420</b>	<b>32 102 276</b>

\* See Note 41

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2014</b>	<b>34 569 850</b>	<b>908 553 010</b>	<b>943 122 860</b>
Changes in net assets	-	32 102 276	32 102 276
Surplus for the year	(13 732 435)	(19 814 552)	(33 546 987)
Prior period adjustments			
Total changes	(13 732 435)	12 287 724	(1 444 711)
<b>Restated* Balance at 01 July 2015</b>	<b>20 837 415</b>	<b>920 840 734</b>	<b>941 678 149</b>
Changes in net assets	-	32 142 420	32 142 420
Surplus for the year	-	45 789	45 789
Other changes			
Total changes	-	32 188 209	32 188 209
<b>Balance at 30 June 2016</b>	<b>20 837 415</b>	<b>953 028 943</b>	<b>973 866 358</b>

Note(s)

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\* See Note 41



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

Figures in Rand	2016	2015 Restated*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Receipts</b>		
Sale of goods and services	119 773 957	141 828 527
Grants	232 142 407	193 971 568
Interest income	1 033 338	1 693 142
	<u>352 949 702</u>	<u>337 493 237</u>
<b>Payments</b>		
Employee costs	(105 110 774)	(97 555 424)
Other payments	(126 040 576)	(139 406 238)
Finance costs	(6 252 468)	(5 318 754)
	<u>(237 403 818)</u>	<u>(242 280 416)</u>
<b>Net cash flows from operating activities</b>	<b>115 545 884</b>	<b>95 212 821</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(118 926 223)	(98 867 926)
Proceeds from sale of property, plant and equipment	1 388 130	13 084
Purchase of investment property	-	(4 936 000)
Purchase of intangible assets	(131 102)	(53 128)
Purchase of loans receivable	-	(389 569)
Proceeds from sale of loans receivable	340 181	-
<b>Net cash flows from investing activities</b>	<b>(117 329 014)</b>	<b>(104 233 539)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of other financial liabilities	(153 576)	(2 191 435)
Finance lease payments	1 838 122	(700 635)
<b>Net cash flows from financing activities</b>	<b>1 684 546</b>	<b>(2 892 070)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(98 584)</b>	<b>(11 912 788)</b>
Cash and cash equivalents at the beginning of the year	630 951	12 543 739
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>532 367</b>	<b>630 951</b>

\* See Note 41

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
<b>Figures in Rand</b>					
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>					
<b>REVENUE</b>					
<b>Revenue from exchange transactions</b>					
Sale of stands	12 000 000	-	12 000 000	7 413 893	(4 586 107)
Service charges	123 341 143	(450 000)	122 891 143	99 841 926	(23 049 217)
Rental of facilities	1 569 485	331 000	1 900 485	1 974 231	73 746
Interest on outstanding receivables	4 280 244	500 000	4 780 244	5 016 214	235 970
Licences and permits	3 182 324	65 000	3 247 324	4 510 550	1 263 226
Other revenue	7 818 094	780 500	8 598 594	6 376 299	(2 222 295)
Interest on investments	1 500 000	-	1 500 000	1 033 338	(466 662)
<b>Total revenue from exchange transactions</b>	<b>153 691 290</b>	<b>1 226 500</b>	<b>154 917 790</b>	<b>126 166 451</b>	<b>(28 751 339)</b>
<b>Revenue from non-exchange transactions</b>					
Property rates	34 886 706	(150 000)	34 736 706	31 171 638	(3 565 068)
Government grants & subsidies	231 243 000	(98 712 235)	231 098 000	220 463 419	(10 634 581)
Public contributions and donations	-	50 000	50 000	8 217 639	8 167 639
Fines, Penalties and Forfeits	1 805 000	6 000	1 811 000	2 168 435	357 435
<b>Total revenue from non-exchange transactions</b>	<b>267 934 706</b>	<b>(98 806 235)</b>	<b>267 695 706</b>	<b>262 021 131</b>	<b>(5 674 575)</b>
<b>Total revenue</b>	<b>421 625 996</b>	<b>(97 579 735)</b>	<b>422 613 496</b>	<b>388 187 582</b>	<b>(34 425 914)</b>
<b>EXPENDITURE</b>					
Employee related costs	94 939 415	(3 210 475)	91 728 940	(97 473 147)	5 744 207
Remuneration of councillors	7 115 424	-	7 115 424	(7 637 627)	522 203
Depreciation and amortisation	37 639 324	-	37 639 324	(48 760 891)	11 121 567
Impairment loss	-	-	-	(1 429 049)	1 429 049
Finance costs	2 343 300	-	2 343 300	(6 252 468)	3 909 168
Debt Impairment	504 840	-	504 840	(10 364 543)	9 859 703
Repairs and maintenance	39 316 980	(783 000)	38 533 980	(28 703 283)	(9 830 697)
Bulk purchases	69 418 759	-	69 418 759	(68 814 609)	(604 150)
Contracted services	8 084 700	1 695 279	9 779 979	(8 897 819)	-
General expenses	60 123 103	5 146 278	65 269 381	(79 603 619)	14 334 238
<b>Total expenditure</b>	<b>319 485 845</b>	<b>2 848 082</b>	<b>322 333 927</b>	<b>(357 937 055)</b>	<b>36 485 288</b>
<b>Operating surplus</b>	<b>741 111 841</b>	<b>(94 731 653)</b>	<b>646 380 188</b>	<b>30 250 527</b>	<b>99 744 449</b>
Gain on disposal of assets	-	-	-	(16 451)	(16 451)
Actuarial gains/losses	(12 000)	-	(12 000)	1 908 344	1 920 344
	<b>(12 000)</b>	<b>-</b>	<b>(12 000)</b>	<b>1 891 893</b>	<b>1 903 893</b>
<b>SURPLUS FOR THE YEAR</b>	<b>741 099 841</b>	<b>(94 731 653)</b>	<b>646 368 188</b>	<b>32 142 420</b>	<b>(614 225 768)</b>
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>741 099 841</b>	<b>(94 731 653)</b>	<b>646 368 188</b>	<b>32 142 420</b>	<b>(614 225 768)</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
<b>Figures in Rand</b>					
<b>Statement of Financial Position</b>					
<b>ASSETS</b>					
<b>Current Assets</b>					
Inventories	3 011 404	15 212 747	18 224 151	21 039 723	2 815 572
Trade and other receivables	4 031 368	-	4 031 368	19 767 409	15 736 041
VAT receivable	-	-	-	29 459 373	29 459 373
Receivables from exchange transactions	28 831 854	-	28 831 854	21 778 066	(7 053 788)
Current portion of long term-receivable	270 734	-	270 734	-	(270 734)
Cash and cash equivalents	5 493 401	(1 015 901)	4 477 500	532 367	(3 945 133)
	<b>41 638 761</b>	<b>14 196 846</b>	<b>55 835 607</b>	<b>92 576 938</b>	<b>36 741 331</b>
<b>Non-Current Assets</b>					
Investment property	661 000	1 002 123	1 663 123	6 961 100	5 297 977
Property, plant and equipment	1 171 783 817	-	1 171 783 817	1 046 994 939	(124 788 878)
Intangible assets	857 844	-	857 844	538 962	(318 882)
Heritage assets	1 686 000	-	1 686 000	1 650 000	(36 000)
Loans receivable	240 632	-	240 632	49 388	(191 244)
	<b>1 175 229 293</b>	<b>1 002 123</b>	<b>1 176 231 416</b>	<b>1 056 194 389</b>	<b>(120 037 027)</b>
<b>TOTAL ASSETS</b>	<b>1 216 868 054</b>	<b>15 198 969</b>	<b>1 232 067 023</b>	<b>1 148 771 327</b>	<b>(83 295 696)</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Other financial liabilities	-	-	-	4 669 354	4 669 354
Finance lease obligation	2 313 222	-	2 313 222	1 278 177	(1 035 045)
Payables from exchange transactions	12 784 000	-	12 784 000	101 156 756	88 372 756
Consumer deposits	2 803 750	-	2 803 750	3 781 051	977 301
Employee benefit obligation	-	-	-	1 155 225	1 155 225
Unspent conditional grants and receipts	5 461 000	-	5 461 000	8 911 218	3 450 218
Provisions	1 074 515	-	1 074 515	-	(1 074 515)
	<b>24 436 487</b>	<b>-</b>	<b>24 436 487</b>	<b>120 951 781</b>	<b>96 515 294</b>
<b>Non-Current Liabilities</b>					
Other financial liabilities	25 782 311	-	25 782 311	19 192 514	(6 589 797)
Finance lease obligation	-	-	-	1 921 988	1 921 988
Employee benefit obligation	-	-	-	22 977 727	22 977 727
Provisions	-	-	-	9 860 959	9 860 959
	<b>25 782 311</b>	<b>-</b>	<b>25 782 311</b>	<b>53 953 188</b>	<b>28 170 877</b>
<b>TOTAL LIABILITIES</b>	<b>50 218 798</b>	<b>-</b>	<b>50 218 798</b>	<b>174 904 969</b>	<b>124 686 171</b>
<b>NET ASSETS</b>	<b>1 166 649 256</b>	<b>15 198 969</b>	<b>1 181 848 225</b>	<b>973 866 358</b>	<b>(207 981 867)</b>
<b>NET ASSETS</b>					
<b>Net Assets Attributable to Owners of Controlling Entity</b>					
<b>Reserves</b>					
Revaluation reserve	-	-	-	20 837 415	20 837 415
Accumulated surplus	1 166 649 256	15 198 969	1 181 848 225	953 028 943	(228 819 282)

## Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Total Net Assets	1 166 649 256	15 198 969	1 181 848 225	973 866 358	(207 981 867)

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
<b>Figures in Rand</b>					
<b>Cash Flow Statement</b>					
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Sale of goods and services	147 610 519	6 948 015	154 558 534	119 773 957	(34 784 577)
Grants - Operating	132 697 000	(145 000)	132 552 000	232 142 407	99 590 407
Grants - Capital	98 546 000	-	98 546 000	-	(98 546 000)
Other receipts	-	-	-	1 033 338	1 033 338
	<b>378 853 519</b>	<b>6 803 015</b>	<b>385 656 534</b>	<b>352 949 702</b>	<b>(32 706 832)</b>
<b>Payments</b>					
Suppliers, other payments and employee costs	(277 236 381)	(1 888 082)	(279 124 463)	(231 151 350)	47 973 113
Finance costs	(2 343 300)	-	(2 343 300)	(6 252 468)	(3 909 168)
Transfers and Grants	(1 762 000)	(960 000)	(2 722 000)	-	2 722 000
	<b>(281 341 681)</b>	<b>(2 848 082)</b>	<b>(284 189 763)</b>	<b>(237 403 818)</b>	<b>46 785 945</b>
<b>Net cash flows from operating activities</b>	<b>97 511 838</b>	<b>3 954 933</b>	<b>101 466 771</b>	<b>115 545 884</b>	<b>14 079 113</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(90 908 000)	(8 000 000)	(98 908 000)	(118 926 223)	(20 018 223)
Proceeds from sale of property, plant and equipment	-	-	-	1 388 130	1 388 130
Purchase of other intangible assets	-	-	-	(131 102)	(131 102)
Proceeds from sale of loans receivable	-	-	-	340 181	340 181
<b>Net cash flows from investing activities</b>	<b>(90 908 000)</b>	<b>(8 000 000)</b>	<b>(98 908 000)</b>	<b>(117 329 014)</b>	<b>(18 421 014)</b>
<b>Cash flows from financing activities</b>					
Repayment of financial liabilities	-	-	-	(153 576)	(153 576)
Repayment of borrowings	(2 415 736)	-	(2 415 736)	1 838 122	4 253 858
<b>Net cash flows from financing activities</b>	<b>(2 415 736)</b>	<b>-</b>	<b>(2 415 736)</b>	<b>1 838 122</b>	<b>4 253 858</b>
Net increase/(decrease) in cash and cash equivalents	4 188 102	(4 045 067)	143 035	(98 584)	(88 043)
Cash and cash equivalents at the beginning of the year	1 305 299	3 712 201	5 017 500	630 951	(4 386 549)
<b>Cash and cash equivalents at the end of the year</b>	<b>5 493 401</b>	<b>(332 866)</b>	<b>5 160 535</b>	<b>532 367</b>	<b>(4 474 592)</b>

\*Refer to note 47 for the comments on changes of Statement of Comparison of Budget and Actual Amounts.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded off to the nearest Rand.

#### 1.2 Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

##### 1.3.1 Trade receivables and allowance for doubtful debts

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtors are impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

##### 1.3.2 Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### 1.3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### 1.3.4 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand and interest.



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### 1.3.5 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the Annual Financial Statements.

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the municipality, supplemented by experience of similar transactions and, in some, cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. This unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

#### 1.3.6 Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used at the end of their useful lives, and in what condition they will be at that time.

#### 1.3.7 Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the Notes to the Annual Financial Statements.

The municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### 1.3.8 Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### 1.3.9 Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtors are impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

The impairment for trade receivables and loans receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amounts. Debtors are graded on the following basis:

##### Grade A

Trade receivables are not impaired for customers with accounts that are not in arrears.

##### Grade B

Customers with a payment history but with balances outstanding in excess of 90 days, the balance in excess of 90 days is impaired in full.

##### Grade C

Customers without payment history are considered to be delinquent and the outstanding balances are impaired in full. The balance is provided for in full (100% of the amount outstanding).

##### Government debtors

Government debtors are not impaired as the government generally has a history of meeting its obligations.

### 1.4 Investment property

#### 1.4.1 Initial Recognition

Investment property is property (land or buildings) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services, or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.4 Investment property (continued)

#### 1.4.2 Subsequent Measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

#### 1.4.3 Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.5 Property, plant and equipment

#### 1.5.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one accounting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than accounting one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

#### 1.5.2 Subsequent Measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is subsequently measured at fair value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Infinity
Furniture and fixtures	3-15 years
Infrastructure	
• Sewer pump station	15-60 years
• Solid waste disposal	3-9 years
• Electricity network	3-20 years
• LV network	10-50 years
• Distribution network	2-30 years
• Bridges	30-80 years
• Bulk supply	50-100 years
• MV network	15-60 years
• Road structures	5-55 years
• Airport structures	20-60 years
• Collection and reticulation network	50 years
• Boreholes	3-100 years
• Distribution reticulation networks	5-60 years
• Storage	10- 15 years
• Stormwater	10-60 years
• Road traffic management	10-40 years
• Waste water treatment	15-60 years
• Water network	20 years
• Water pipes	20 years
• Water pump	5-100 years
• Water storage	3-20 years
Community Assets	
• Buildings	100 years
Other property, plant and equipment	
• Furniture and equipment	05-10 years
• Motor vehicles	5-15 years
• Office equipment	03 - 10 years
• Plant equipment	04-15 years
• Office equipment	1-5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life, residual value and depreciation method of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

#### 1.5.3 Derecognition

The items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

#### Reassessment of useful lives

Management reassessed useful lives of all assets as at year end and is of the opinion that the useful lives applied in the Fixed Asset Register are a fair presentation of the conditions of the assets. Useful lives of assets applied are reasonably in line with their physical conditions and expected number of years to be used.

### 1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from a municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.7 Intangible assets (continued)

#### 1.7.1 Initial Recognition

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

#### 1.7.2 Subsequent measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 to 5 years

#### Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from their use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.8 Heritage assets (continued)

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the Annual Financial Statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### 1.8.1 Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### 1.8.2 Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### 1.8.3 Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### 1.8.4 Impairment

The municipality assess its heritage assets at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### 1.8.5 Derecognition

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of the municipality and a financial liability or a residual interest of another entity.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by the municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

#### 1.9.1 Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Loans receivable	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

#### 1.9.2 Initial recognition

The municipality recognises a financial asset or a financial liability in its Statement of Financial Position when the municipality becomes a party to the contractual provisions of the instrument.

## **Ga Segonyana Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

### **Accounting Policies**

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#### **1.9 Financial instruments (continued)**

##### **1.9.3 Initial measurement of financial assets and financial liabilities**

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value.



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### 1.9.4 Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### 1.9.5 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### 1.9.6 Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the Municipality reclassifies the instrument from cost to fair value.

#### 1.9.7 Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### 1.9.8 Impairment and uncollectibility of financial assets

The Municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at cost:

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### 1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### 1.9.9 Derecognition

##### 1.9.9.1 Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### 1.9.9.2 Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit.

#### 1.9.10 Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### 1.9.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### 1.10 Tax

##### 1.10.1 VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

##### 1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

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### 1.11 Leases (continued)

#### 1.11.1 Finance leases - lessee

##### Initial recognition

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

##### Subsequent measurement

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### 1.11.2 Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

### 1.12 Inventories

#### 1.12.1 Initial recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition

#### 1.12.2 Subsequent measurement

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

#### 1.12.3 Derecognition

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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### 1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated municipality, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### 1.13.1 Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### 1.13.2 Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

#### 1.13.3 Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the Municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

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### 1.13 Impairment of cash-generating assets (continued)

#### 1.13.4 Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

### 1.14 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### 1.14.1 Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.



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### 1.14 Impairment of non-cash-generating assets (continued)

#### 1.14.2 Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### 1.14.3 Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### 1.14.4 Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### 1.14.5 Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

#### 1.14.6 Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.16 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

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### 1.16 Employee benefits (continued)

#### 1.15.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the Municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

#### 1.15.2 Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

### 1.17 Provisions and contingencies

#### 1.16.1 Initial Recognition

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

#### 1.16.2 Subsequent measurement

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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### 1.17 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed by way of a note.

### 1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The municipality's main sources of revenue from exchange transactions include service charges, rental of facilities, sale of stands, licences and permits and interest income.

#### 1.17.1 Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### 1.17.2 Sale of goods (stands and licences and permits)

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 1.17.3 Rendering of services

Rendering of services includes the following service charges: refuse removal, electricity, water and sewerage. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The municipality recognises prepaid electricity revenue on a prepaid basis as it is difficult for the municipality to determine the amount consumed as at year end for prepaid meters.



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### 1.18 Revenue from exchange transactions (continued)

#### 1.17.4 Interest

Revenue arising from the use by others of the municipality's assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality or an individual without directly giving approximately equal value in exchange, or gives value to another municipality or an individual without directly receiving approximately equal value in exchange.

Exchange transactions are transactions in which one municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another Municipality in exchange.

The municipality's main sources of revenue from non-exchange transactions income include property rates, government grants and subsidies, public Contributions and donations and fines and penalties.

#### 1.18.1 Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### 1.18.2 Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### 1.18.3 Property Rates

The municipality recognises an asset in respect of Property Rates when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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### 1.19 Revenue from non-exchange transactions (continued)

#### 1.18.4 Government grants, Public contributions and donations

Transfer revenue include Government grants and subsidies, public contributions and donations and fines, penalties and forfeits. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### 1.18.5 Fines

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

#### 1.18.6 Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

### 1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by a municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

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### 1.24 Irregular expenditure (continued)

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008): Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.25 Budget information

The municipality is subject to budgetary limits in the form of an approved and an adjustment budget which is given effect through council.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the approved budget.

The approved budget is prepared on an accrual basis and presented by nature linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

The Annual Financial Statements and the approved budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

Comparative information is not required.

Material differences between the original budget and final budget as well as between the final budget and the actual are explained in the Annual Financial Statements. Deviations are regarded as material when they are greater than or equal to 10%. Deviations between approved budget and final budget as well as deviations between final budget and actual, are regarded as material differences.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date)
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). There were no significant post balance sheet events that affected the Annual Financial Statements as at 30 June 2016.

### 1.27 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and
- All expenditure has been dealt with in terms of the above definition and recognition criteria.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.
- Repairs and maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk electricity;
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- Transfers and grants which relate to expenditure pertaining to free basic services; and
- General expenses which constitute several expense items which are not individually significant.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact of the amendment is not material.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

### 3. Inventories

Other inventories held for sale (land)	19 873 939	21 380 120
Consumable stores	1 266 074	1 606 226
Water	45 044	41 240
	21 185 057	23 027 586
Inventories (write-downs)	(145 334)	(125 835)
	<b>21 039 723</b>	<b>22 901 751</b>

### 4. Receivables from exchange transactions

#### Gross balances

Electricity	7 159 506	17 498 032
Water	4 895 085	4 969 053
Sewerage	13 140 784	12 116 614
Refuse	8 376 712	7 426 493
Other	22 285 001	10 000 417
	<b>55 857 088</b>	<b>52 010 609</b>

#### Less: Allowance for impairment

Impairment	(34 079 022)	(33 487 883)
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#### Net balance

Net	21 778 066	18 522 726
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# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	3 273 593	12 324 103
31 - 60 days	1 008 137	703 119
61 - 90 days	437 406	588 209
91 - 120 days	223 569	559 880
121 - 365 days	961 298	2 119 547
> 365 days	1 255 503	1 203 174
	<b>7 159 506</b>	<b>17 498 032</b>
<b>Water</b>		
Current (0 -30 days)	1 147 615	1 700 721
31 - 60 days	634 953	407 787
61 - 90 days	455 050	300 886
91 - 120 days	305 070	290 219
121 - 365 days	1 080 132	981 873
> 365 days	1 272 265	1 287 567
	<b>4 895 085</b>	<b>4 969 053</b>
<b>Sewerage</b>		
Current (0 -30 days)	880 656	1 328 621
31 - 60 days	517 062	367 986
61 - 90 days	350 153	333 136
91 - 120 days	297 800	298 249
121 - 365 days	1 549 419	1 546 857
> 365 days	9 545 694	8 241 765
	<b>13 140 784</b>	<b>12 116 614</b>
<b>Refuse</b>		
Current (0 -30 days)	504 201	766 647
31 - 60 days	289 758	204 588
61 - 90 days	221 593	180 313
91 - 120 days	189 309	164 863
121 - 365 days	1 035 421	918 944
> 365 days	6 136 430	5 191 138
	<b>8 376 712</b>	<b>7 426 493</b>
<b>Other</b>		
Current (0 -30 days)	1 631 441	2 153 901
31 - 60 days	701 040	471 284
61 - 90 days	2 194 367	4 127 372
91 - 120 days	545 332	-
121 - 365 days	2 919 359	2 483 802
> 365 days	14 293 462	764 058
	<b>22 285 001</b>	<b>10 000 417</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(33 487 883)	(26 918 830)
Contributions to allowance	(591 139)	(6 569 053)
	<b>(34 079 022)</b>	<b>(33 487 883)</b>



## Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>5. Trade and other receivables</b>		
Sundry debtors	3 484 239	6 201 292
Motor vehicle and housing loans	165 621	190 522
Other receivables from non-exchange revenue	7 274 821	5 685 127
Rates	8 842 728	9 701 399
	<b>19 767 409</b>	<b>21 778 340</b>

Included in receivables from non-exchange transactions are balances owing from property rates as follows:

Current (0 -30 days)	-	83 837
31 - 60 days	455 644	397 328
61 - 90 days	348 099	292 076
91 - 120 days	279 888	256 386
121 - 365 days	1 360 756	1 280 617
> 365 days	22 564 528	20 631 026
	<b>25 008 915</b>	<b>22 941 270</b>
Less: Allowance for impairment	(16 166 187)	(13 239 871)
Net balance	<b>8 842 728</b>	<b>9 701 399</b>

#### 6. VAT receivable

VAT	29 459 373	4 113 731
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There is a SARS audit that is underway to review returns submitted by the municipality.

VAT receivable comprises of:

VAT due from SARS	13 439 292	3 774 246
VAT on outstanding receivables and creditors	8 964 644	339 485
VAT under SARS review	7 055 437	-
	<b>29 459 373</b>	<b>4 113 731</b>

## Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	6 050	6 050
Bank balances	336 764	777 533
Short-term deposits	189 553	28 485
Bank overdraft	-	(181 117)
	<b>532 367</b>	<b>630 951</b>
Current assets	532 367	812 068
Current liabilities	-	(181 117)
	<b>532 367</b>	<b>630 951</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016		2015	
7. Consumer debtors disclosure (continued)				
The municipality had the following bank accounts				
Account number / description	Bank statement balances		Cash book balances	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
ABSA BANK - CALL ACCOUNT - 9264748829	189 553	90 582	189 553	28 485
ABSA BANK - CHEQUE ACC - 4052183325	280 145	1 886 553	156 644	574 735
ABSA BANK - CHEQUE ACC - 4060204391	81 841	45 407	81 903	(91 674)
ABSA BANK - CHEQUE ACC - 4080444513	98 217	99 291	98 217	99 132
Petty cash float	-	-	6 050	6 050
<b>Total</b>	<b>649 756</b>	<b>2 121 833</b>	<b>532 367</b>	<b>616 728</b>

## 8. Investment property

	2016			2015		
	Cost / Valuation	Fair value gain/(loss)	Carrying value	Cost / Valuation	Fair value gain/(loss)	Carrying value
Investment property	6 961 100	-	6 961 100	6 961 100	-	6 961 100

### Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	6 961 100	6 961 100

### Reconciliation of investment property - 2015

	Opening balance	Additions	Total
Investment property	2 025 100	4 936 000	6 961 100

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### Details of valuation

Investment property is reviewed annually to detect material changes from the last reporting date. The last external valuation was done by an independent professional valuer on 1 July 2014. The valuation which conforms to international valuation standards is arrived at by reference to market evidence of transaction prices for similar properties. Management assessed the value of investment property as at 30 June 2016 and believe that the reported values are a true and fair indication of investment property value as at year end.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016

2015

### 9. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	26 438 700	-	26 438 700	26 438 700	-	26 438 700
Buildings	86 243 243	(46 051 834)	40 191 409	86 243 243	(44 228 053)	42 015 190
Infrastructure	1 406 376 001	(575 910 808)	830 465 193	1 347 491 061	(528 613 929)	818 877 132
Capital Work in Progress	132 566 309	-	132 566 309	77 210 064	-	77 210 064
Other assets	31 360 087	(14 026 759)	17 333 328	29 765 288	(13 123 175)	16 642 113
<b>Total</b>	<b>1 682 984 340</b>	<b>(635 989 401)</b>	<b>1 046 994 939</b>	<b>1 567 148 356</b>	<b>(585 965 157)</b>	<b>981 183 199</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation on disposals	Depreciation	Impairment loss	Impairment reversal	Total
Land	26 438 700	-	-	-	-	-	-	-	-	26 438 700
Buildings	42 015 190	-	-	-	-	-	(1 823 781)	-	-	40 191 409
Infrastructure	818 877 132	58 884 940	-	-	-	-	(45 867 831)	(1 429 049)	-	830 465 193
Capital Work in Progress	77 210 064	-	-	99 842 942	(44 486 697)	-	-	-	-	132 566 309
Other assets	16 642 113	4 685 038	(3 090 241)	-	-	1 702 111	(2 607 381)	-	1 688	17 333 328
	<b>981 183 199</b>	<b>63 569 978</b>	<b>(3 090 241)</b>	<b>99 842 942</b>	<b>(44 486 697)</b>	<b>1 702 111</b>	<b>(50 298 993)</b>	<b>(1 429 049)</b>	<b>1 688</b>	<b>1 046 994 939</b>

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation on disposals	Depreciation	Impairment loss	Total
Land	26 438 700	-	-	-	-	-	-	-	26 438 700
Buildings	36 433 150	7 426 074	-	-	-	-	(1 844 034)	-	42 015 190
Infrastructure	757 873 339	100 226 879	-	-	-	-	(39 223 086)	-	818 877 132
Capital Work in Progress	87 201 547	-	-	49 464 206	(59 455 689)	-	-	-	77 210 064
Other assets	19 908 886	1 206 456	(25 786)	-	-	12 702	(4 410 059)	(50 086)	16 642 113
	<b>927 855 622</b>	<b>108 859 409</b>	<b>(25 786)</b>	<b>49 464 206</b>	<b>(59 455 689)</b>	<b>12 702</b>	<b>(45 477 179)</b>	<b>(50 086)</b>	<b>981 183 199</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 10. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 611 187	(1 072 225)	538 962	1 478 934	(907 065)	571 869

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	571 869	131 102	(164 009)	538 962

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	657 843	53 128	(139 102)	571 869

### 11. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
The Eye	1 650 000	-	1 650 000	1 650 000	-	1 650 000

#### Reconciliation of heritage assets 2016

	Opening balance	Total
The Eye	1 650 000	1 650 000

#### Reconciliation of heritage assets 2015

	Opening balance	Total
The Eye	1 650 000	1 650 000

### 12. Other financial liabilities

#### At amortised cost

Bank loan	23 861 868	24 015 444
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#### Non-current liabilities

At amortised cost	19 192 514	21 721 539
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#### Current liabilities

At amortised cost	4 669 354	2 293 905
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# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 12. Other financial liabilities (continued)

#### Defaults and breaches

The loans below were in default as a result of not meeting capital repayment requirements as per the contractual arrangements. This was due to cash flow timing delays. The default was rectified before annual financial statements were authorised for issue.

Contract number	Loan number	Repayment period	Arrear capital repayment	Arrear interest repayment	Total arrear amount
61000505	102274/2	30/06/2016	266 401	366 959	633 359
61003307	13891/201	30/06/2016	96 232	61 899	158 131
61000632	102568/2	30/06/2016	14 738	10 623	25 361
61000357	101738/2	30/06/2016	167 884	230 007	397 892
61001387	11099/102	30/06/2016	445 947	193 387	639 334
61000038	100234/1	30/06/2016	114 846	164 813	279 658
			<b>1 106 048</b>	<b>1 027 688</b>	<b>2 133 735</b>

### 13. Finance lease obligation

#### Minimum lease payments due

- within one year	1 741 392	738 597
- in second to fifth year inclusive	2 131 531	844 815

less: future finance charges

3 872 923	1 583 412
(672 758)	(221 369)

#### Present value of minimum lease payments

<b>3 200 165</b>	<b>1 362 043</b>
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#### Present value of minimum lease payments due

- within one year	1 278 177	622 528
- in second to fifth year inclusive	1 921 988	739 515
	<b>3 200 165</b>	<b>1 362 043</b>

Non-current liabilities

1 921 988 739 505

Current liabilities

1 278 177 622 538

**3 200 165 1 362 043**

The municipality has finance lease agreements for motor vehicles and equipment.

The average lease term was 2-5 years and the average effective borrowing rate was 26% (2016).

Interest rates are fixed at the contract date. All leases have fixed repayments.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

### 14. Payables from exchange transactions

Trade payables	4 227 597	2 284 599
Accruals	72 774 189	25 473 485
Retention monies	13 582 050	9 977 653
Other payables	2 509 460	2 261 793
Employee costs provision	5 012 181	5 026 316
Insurance	3 051 279	1 266 517
	<b>101 156 756</b>	<b>46 290 363</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>15. Consumer deposits</b>		
Consumer deposits	3 781 051	3 076 154
Consumer deposits represent amounts received in advance and held as surety for postpaid electricity and water services.		
<b>16. Employee benefit obligations</b>		
<b>Defined benefit plan</b>		
The plan is a final salary pension and post employment medical benefit plan.		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(24 132 952)	(23 568 987)
Non-current liabilities	(22 977 727)	(22 789 058)
Current liabilities	(1 155 225)	(779 929)
	<b>(24 132 952)</b>	<b>(23 568 987)</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	1 554 887	1 421 558
Interest cost	2 040 072	2 070 990
Actuarial gains	(1 908 344)	(2 725 825)
Settlement	(1 122 650)	(1 136 163)
	<b>563 965</b>	<b>(369 440)</b>
<b>Key assumptions used</b>		
Assumptions used at the reporting date:		
Discount rates used	8,60 %	8,12 %
General salary inflation rate	7,25 %	7,13 %
Net effective discount rate	1,26 %	0,92 %
<b>17. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant	-	5 824 845
Municipal Systems Infrastructure Grant	173 815	538 518
Library Grant	541 112	-
Department of Water Affairs Grant	2 536 262	-
EPWP Grant	2 685	-
MWIG Grant	3 723 961	-
Housing Grant	1 672 243	1 184 428
RBIG Grant	-	135 243
ACIP Grant	261 070	261 070
Rural Housing Infrastructure Grant	70	70
	<b>8 911 218</b>	<b>7 944 174</b>

See note Government grants and subsidies realised note for reconciliation of grants from National/Provincial Government.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 17. Unspent conditional grants and receipts (continued)

Due to slow payment of accounts receivables a significant portion of the amounts due for services rendered and municipal taxes were still tied up in accounts receivables. Management is working tirelessly to ensure smooth running of projects.

### 18. Provisions

#### Reconciliation of provisions - 2016

	Opening Balance	Change in estimate	Total
Provision for rehabilitation of landfill sites	10 767 922	(906 963)	9 860 959

#### Reconciliation of provisions - 2015

	Opening Balance	Change in estimate	Total
Environmental rehabilitation	10 164 920	603 002	10 767 922

The municipality has an obligation to rehabilitate the landfill sites of Ga Segonyana.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation. It is carried at discount rate used.

### 19. Revaluation reserve

Opening balance	20 837 415	20 837 415
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Revaluation reserve balance is as a result of the gains in the fair value of land held by the municipality.

### 20. Revenue

Sale of stands	7 413 893	4 249 578
Service charges	99 841 926	100 311 968
Rental of facilities and equipment	1 974 231	2 352 028
Interest received (trading)	5 016 214	4 072 892
Licences and permits	4 510 550	4 584 977
Other income	6 376 299	2 688 837
Interest received - investment	1 033 338	1 693 142
Property rates	31 171 638	31 078 474
Government grants & subsidies	220 463 419	185 633 769
Public contributions and donations	8 217 639	20 949 703
Other transfer revenue 1	2 168 435	13 999 285
	<b>388 187 582</b>	<b>371 614 653</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of stands	7 413 893	4 249 578
Service charges	99 841 926	100 311 968
Rental of facilities and equipment	1 974 231	2 352 028
Interest on outstanding receivables	5 016 214	4 072 892
Licences and permits	4 510 550	4 584 977
Other revenue	6 376 299	2 688 837
Interest on investments	1 033 338	1 693 142
	<b>126 166 451</b>	<b>119 953 422</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>20. Revenue (continued)</b>		
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	31 171 638	31 078 474
Government grants & subsidies	220 463 419	185 633 769
Public contributions and donations	8 217 639	20 949 703
Other transfer revenue 1	2 168 435	13 999 285
	<b>262 021 131</b>	<b>251 661 231</b>
<b>21. Service charges</b>		
Sewer levied	11 443 603	10 429 139
Sale of electricity	64 975 838	66 640 745
Sale of water	15 654 227	15 893 720
Refuse removal	7 393 568	6 992 790
New connections and administration fees	374 690	355 574
	<b>99 841 926</b>	<b>100 311 968</b>
<b>22. Rental of facilities and equipment</b>		
Premises		
Premises	1 974 231	2 352 028
<b>23. Other revenue</b>		
Other income	6 376 299	2 688 837
<b>24. Property rates</b>		
Rates levied		
Property rates levied	32 977 262	32 823 125
Less: Income forgone	(1 805 624)	(1 744 651)
	<b>31 171 638</b>	<b>31 078 474</b>
<b>Valuations</b>		
Residential	2 411 738 500	2 411 738 500
Commercial	1 044 679 700	1 044 679 700
State	53 388 000	53 388 000
Municipal	121 584 400	121 584 400
Agriculture	1 817 103 000	1 817 103 000
Industrial	219 260 500	219 260 500
Other	352 600	352 600
	<b>5 668 106 700</b>	<b>5 668 106 700</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>25. Government grants and subsidies realised</b>		
<b>Operating grants</b>		
Equitable share	109 444 000	86 992 000
Library Grant	1 401 888	1 228 101
Dept of Water Affairs Grant (DWAF)	14 963 738	7 349 993
Finance Management Grant (FMG)	1 675 000	1 600 000
Expanded Public Works Program Grant (EPWP)	1 047 315	1 000 063
Department of Minerals and Energy Grant (DME)	1 500 000	1 000 149
Kgotsopula Nala Grant	-	613
ACIP Grant	-	1 321 439
Amogelang Childhood Grant	-	68 932
	<b>130 031 941</b>	<b>100 561 290</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	52 195 000	45 202 155
Municipal Water Infrastructure Grant (MWIG)	23 989 039	14 170 000
Municipal Systems Infrastructure Grant (MSIG)	766 185	863 217
Rural Bulk Infrastructure Grant (RBIG)	13 481 254	24 836 754
Water and Sanitation Grant	-	353
	<b>90 431 478</b>	<b>85 072 479</b>
	<b>220 463 419</b>	<b>185 633 769</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received and or spent:		
Conditional grants received	122 698 408	106 979 567
Unconditional grants received	109 444 000	86 992 000
	<b>232 142 408</b>	<b>193 971 567</b>
<b>Equitable Share</b>		
In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The equitable share grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	5 824 845	-
Current-year receipts	52 195 000	51 027 000
Conditions met - transferred to revenue	(52 195 000)	(45 202 155)
Amounts withheld by National Treasury	(5 824 845)	-
	<b>-</b>	<b>5 824 845</b>
Conditions still to be met - remain liabilities and are included under Unspent conditional grants.		
The grant is mainly used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.		
<b>Municipal Systems Infrastructure Grant</b>		
Balance unspent at beginning of year	538 518	467 735
Current-year receipts	940 000	934 000
Conditions met - transferred to revenue	(766 185)	(863 217)

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>25. Government grants and subsidies realised (continued)</b>		
Amounts withheld by National Treasury	(538 518)	-
	<b>173 815</b>	<b>538 518</b>

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

### Library Grant

Balance unspent at beginning of year	-	101
Current-year receipts	1 943 000	1 228 000
Conditions met - transferred to revenue	(1 401 888)	(1 228 101)
	<b>541 112</b>	<b>-</b>

The purpose is to fund capital projects and maintenance of library facilities the community.

### Department of Water Affairs (DWA)

Balance unspent at beginning of year	-	349 993
Current-year receipts	17 500 000	7 000 000
Conditions met - transferred to revenue	(14 963 738)	(7 349 993)
	<b>2 536 262</b>	<b>-</b>

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

### Finance Management Grant (FMG)

Current-year receipts	1 675 000	1 600 000
Conditions met - transferred to revenue	(1 675 000)	(1 600 000)
	<b>-</b>	<b>-</b>

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

### Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	-	63
Current-year receipts	1 050 000	1 000 000
Conditions met - transferred to revenue	(1 047 315)	(1 000 063)
	<b>2 685</b>	<b>-</b>

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

### Department of Minerals and Energy (DME)

Balance unspent at beginning of year	-	149
Current-year receipts	1 500 000	1 000 000
Conditions met - transferred to revenue	(1 500 000)	(1 000 149)
	<b>-</b>	<b>-</b>

### Kgotsopula Nala

Balance unspent at beginning of year	-	613
Conditions met - transferred to revenue	-	(613)



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>25. Government grants and subsidies realised (continued)</b>		
	-	-
<b>Municipal Water Infrastructure Grant (MWIG)</b>		
Current-year receipts	27 713 000	14 170 000
Conditions met - transferred to revenue	(23 989 039)	(14 170 000)
	<b>3 723 961</b>	<b>-</b>
The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.		
<b>Rural Housing Grant</b>		
Balance unspent at beginning of year	1 184 428	1 326 715
Current-year receipts	4 836 396	4 162 132
Conditions met - transferred to revenue	(4 348 581)	(4 304 419)
	<b>1 672 243</b>	<b>1 184 428</b>
The municipality is the implementing agent for COGHSTA and therefore should not include the amount received and spent on housing grant in their revenue and expenditure. The unspent amount remains as a liability (see note 19).		
The purpose of this grant is to facilitate development of rural housing.		
<b>Regional Bulk Infrastructure Grant (RBIG)</b>		
Balance unspent at beginning of year	135 243	113 562
Current-year receipts	13 346 011	24 858 435
Conditions met - transferred to revenue	(13 481 254)	(24 836 754)
	<b>-</b>	<b>135 243</b>
<b>ACIP Water Grant</b>		
Balance unspent at beginning of year	261 070	1 582 510
Conditions met - transferred to revenue	-	(1 321 440)
	<b>261 070</b>	<b>261 070</b>
<b>Water and Sanitation</b>		
Balance unspent at beginning of year	-	353
Current-year receipts	-	(353)
	<b>-</b>	<b>-</b>
<b>Amogelang Childhood</b>		
Balance unspent at beginning of year	-	66 932
Conditions met - transferred to revenue	-	(66 932)
	<b>-</b>	<b>-</b>
<b>Allocations in kind</b>		
Human settlement development grant	-	3 300 000
Rural Household Infrastructure grant	5 000 000	4 500 000
Integrated National Electrification Programme (Eskom)	68 611 000	39 259 000
Neighbourhood Development Partnership (Technical Assistance)	-	893 000

## Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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#### 25. Government grants and subsidies realised (continued)

73 611 000	47 059 000
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The following amounts were allocations in kind as per DORA Bill 5 2014. An allocation in kind is money allocated for spending by a national department on behalf of a province, local government or a municipality. National Treasury allocated funds to Gasegonyana area to build infrastructure. The municipality does not have control over the infrastructure. The donated income and/or assets thereof are not included in the municipality's Statement of Financial Position and Statement of Financial Performance.

#### 26. Public contributions and donations

Public donations	8 217 639	19 447 526
Other contributions	-	1 502 177
	8 217 639	20 949 703

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>27. Employee related costs</b>		
Basic	58 600 128	54 822 580
Commissions	1 032 120	-
Bonus	3 677 768	3 260 844
Medical aid - company contributions	4 386 562	3 710 787
UIF	488 123	440 582
Leave/Bonus Provision	1 843 983	1 538 343
Employee benefit obligations	1 554 887	1 421 558
SETA	769 449	694 044
Defined contribution plans	8 932 144	7 752 178
Travel, motor car, accommodation, subsistence and other allowances	2 553 020	2 359 532
Overtime payments	5 329 989	3 460 099
Long-service awards	762 593	385 167
Acting allowances	594 428	430 598
Housing benefits and allowances	2 709 479	2 495 365
Industrial Council Contributions	26 452	22 328
Standby Allowance	596 448	444 531
Telephone Allowance	293 622	271 199
Group Insurance	1 485 401	1 310 307
Other Allowances	757 594	609 873
Termination benefits	1 078 957	5 123 994
	<b>97 473 147</b>	<b>90 553 709</b>

### Remuneration of Municipal Manager

Annual Remuneration	1 013 109	936 235
Allowances	182 608	181 280
Contributions to UIF, Medical and Pension Funds	1 872	12 717
	<b>1 197 589</b>	<b>1 130 212</b>

### Remuneration of Chief Finance Officer

Annual Remuneration	387 413	698 574
Allowances	113 137	195 408
Contributions to UIF, Medical and Pension Funds	1 872	10 446
	<b>502 422</b>	<b>904 428</b>

### Remuneration of the Manager: Community Services

Annual Remuneration	680 843	600 569
Allowances	106 487	105 408
Contributions to UIF, Medical and Pension Funds	171 100	8 302
	<b>958 430</b>	<b>714 279</b>

### Remuneration of the Manager: Corporate Support Services

Annual Remuneration	772 888	692 393
Allowances	183 671	219 495
Contributions to UIF, Medical and Pension Funds	1 872	11 604
	<b>958 431</b>	<b>923 492</b>

### Remuneration of the Manager: Technical Services

Annual Remuneration	377 539	355 852
Allowances	21 425	106 272

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>27. Employee related costs (continued)</b>		
Contributions to UIF, Medical and Pension Funds	744	6 083
	<b>399 708</b>	<b>468 207</b>
<b>28. Remuneration of councillors</b>		
Mayor	791 585	721 206
Councillors	6 207 575	5 676 450
Speaker	638 467	604 059
	<b>7 637 627</b>	<b>7 001 715</b>
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	48 596 882	45 464 477
Intangible assets	164 009	139 102
	<b>48 760 891</b>	<b>45 603 579</b>
<b>30. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	1 429 049	50 086
<b>31. Finance costs</b>		
Other interest paid	6 252 468	5 318 754
<b>32. Provisions</b>		
Contributions to debt impairment (Property rates)	2 926 316	9 042 541
Other provisions	7 438 227	16 515 295
	<b>10 364 543</b>	<b>25 557 836</b>
<b>33. Bulk purchases</b>		
Electricity	68 288 209	58 855 654
Land	526 400	565 900
	<b>68 814 609</b>	<b>59 421 554</b>
The municipality appointed Sedibeng to administer the production of water. Water bulk purchases are included in Repairs and Maintenance due to the nature of the municipality's contract with Sedibeng.		
<b>34. Contracted services</b>		
Cleaning services	212 834	265 215
Specialist Services	3 198 175	3 049 200
Other Contractors	5 486 810	5 139 348
	<b>8 897 819</b>	<b>8 453 763</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>35. General expenses</b>		
Advertising	97 948	151 448
Auditors remuneration	1 995 952	2 477 616
Bank charges	451 230	1 436 797
Cleaning	125 748	186 664
Computer expenses	198 935	167 134
Consulting and professional fees	9 945 470	7 510 071
VIP toilets	12 384 298	7 510 403
Entertainment	215 958	251 786
Fines and penalties	-	18 571
Flowers	1 900	1 565
Animal Costs	6 113	4 314
Insurance	6 119 394	5 940 632
Community development and training	1 601 759	1 659 934
Sedibeng	20 309 944	18 975 000
Magazines, books and periodicals	15 298	61 726
Medical expenses	-	21 595
Postage and courier	436 886	280 443
Printing and stationery	408 946	606 561
Royalties and license fees	48 108	43 466
Subscriptions and membership fees	996 225	978 680
Telephone and fax	1 063 193	928 875
Training	85 172	1 310 827
Travel - local	2 209 385	4 362 579
Electricity	1 510 084	1 919 341
Grant funded expenditure	4 481 991	5 987 159
Refreshments	858	2 114
Service of Stands	2 136 322	3 843 947
Traffic Services	2 014 156	2 528 053
Project management costs	1 534 721	2 605 368
Grants & subsidies paid	1 896 586	341 317
Chemicals	19 684	35 766
Physical planning, valuation costs and sundry expenses	7 291 355	5 942 657
	<b>79 603 619</b>	<b>78 092 409</b>
<b>36. Auditors' remuneration</b>		
Fees	1 995 952	2 477 616
<b>37. Cash generated from operations</b>		
Surplus	32 142 420	32 102 276
<b>Adjustments for:</b>		
Depreciation and amortisation	50 463 002	45 616 281
Impairment loss reversal	(1 688)	-
Impairment deficit	1 429 049	50 086
Movements in retirement benefit assets and liabilities	563 965	(339 373)
Movements in provisions	(906 963)	603 002
Other non-cash items	45 788	-
<b>Changes in working capital:</b>		
Inventories	1 862 028	3 738 259
Receivables from exchange transactions	(3 255 340)	(2 586 462)
Trade and other receivables	2 010 931	(14 298 593)
Payables from exchange transactions	54 866 393	32 657 745
VAT	(25 345 642)	(4 624 457)
Unspent conditional grants and receipts	967 044	1 874 378
Consumer deposits	704 897	419 679
	<b>115 545 884</b>	<b>95 212 821</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>38. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	70 959 024	32 226 154
• Investment property	-	1 074 550
	<b>70 959 024</b>	<b>33 300 704</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment	-	77 800 000
<b>Total capital commitments</b>		
Already contracted for but not provided for	70 959 024	33 300 704
Not yet contracted for and authorised by accounting officer	-	77 800 000
	<b>70 959 024</b>	<b>111 100 704</b>
<b>Authorised operational expenditure</b>		
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised expenditure	70 959 024	111 100 704
<b>39. Contingent Liabilities</b>		
The municipality had the litigation cases that could result in the following contingent liabilities being payable as at year end:		
Sulliman Attorneys	150 000	150 000
Van Rooyen	250 000	-
Edward Ntefang	65 000	65 000
Legal opinion (Monyela M L)	28 044	-
Review: IMATU obo ML Monyela	150 000	-
OJM Engineers	250 000	-
Public Liability claim: BNH829NC/CDX376NC	20 357	-
Public Liability: J Keeiloni- Bodulong	3 750	-
Public Liability: JJ Erasmus	37 068	-
Public Liability: APC Botes	12 651	-
Public Liability: PB van der Merwe	14 750	-
Public Liability: BVJ098NC	12 281	-
Public Liability: BYN212NC	10 064	-
Public Liability: GS Kies	36 541	-
Eviction case 1069/2015	-	550 000
Peyper Sesele Incl	-	80 000
Technical Managers	-	70 000
Community Service Manager	-	50 000
Esor Construction	-	55 000
Eviction case 860/2014	-	160 000
	<b>1 040 506</b>	<b>1 180 000</b>



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>40. Related parties</b>		
<b>Relationships</b>		
Councillor F.P Byleveld	Segopa Butchery	
Councillor M.J Dichabe	Reaiteka Youth Construction, Tshela Thupa Event Management & Thusba and Dipule Construction Enterprise	
Councillor K.B Madikiza	Batharos Sound Hire, Tlotlanang Catering & Bomme-Sejo Services and Supply Co-operative Limited, By Fire Business Enterprise	
Councillor N.G Thupaemang	Mseko Enterprise and Projects, Bafumahadi Khumo Enterprise and Projects & Mmeetshwara Thipa Ka Ha Bogaleng Primary Co-operative Limited	
Councillor N.S Bloem	Bomme-Sejo Services and Supply Co-operative Limited	
Councillor B.E Modise	Bomme-Sejo Services and Supply Co-operative Limited	
Councillor G.C Assegaai	Bomme-Sejo Services and Supply Co-operative Limited, Gadikgadi & Self-Propelled Trading and Projects Mosekaphofu Catering and Events Management	
Councillor K. Bles	Machla General Trading	
Councillor M.T Ambraso	Senior2Day Consulting- Director (Resigned)	
Municipal Manager - G.E Ntefang	Gasegonyane Mining Investment- Incorporator	
	Mediro Peo Holdings- Director	
	Motshingo Investment- Member	
	Blue Disa Trading 189- Member	
	Bonako Panelbeaters- Member	
	Gabatu Construction Construction Supply Management and Community Services Providers- Member	
	Seven Mile Trading 167- Member	
	Kurara FM Radio Station- Director	
	Mimoisa Business Solution- Resigned	
	OMPHEPABALLO BUILDING AND PROJECTS- Member	
	KAYASA BUSINESS TRADING- Member	
	LOCAL ECONOMIC DEVELOPMENT AGENCY OF MAFIKENG- Director	
	MAFIKENG INDUSTRIAL DEVELOPMENT ZONE- Director	
Corporate Admin Manager - M.R Tsatsimpe		
Manager Community Services - P.J Sampson		
Technical Director- Smit Hendrik Jacobus		

### Related party transactions

#### Compensation of Related Parties

R. M. Meyers (Wife to Councillor T.E. Meyers)	219 475	206 449
B. Thankane (Cousin to Councillor P.Q. Mogatle)	76 337	67 253
N. Rayn (Husband to Councillor S.M. Rayn)	120 622	119 131
G. Sibi (Daughter to Councillor N.G. Thupaemang)	226 285	191 400
D. Eilerd (Cousin to Councillor M.A. Brink)	348 118	330 060
D. Baepi (Brother to Councillor L.C. Rapelang)	320 527	317 869

#### Related party transactions during the year

Kurara FM (advertisements)	2 980	8 680
Mimosa (MFP courses)	-	570 000

### Related party transactions

During the financial year the municipality provided services to management and below is the a list of transactions and balances outstanding as at year end.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016		2015	
<b>40. Related parties (continued)</b>				
<b>Related party transactions- Management</b>				
	<b>2016</b>	<b>2016 Balance</b>	<b>2015</b>	<b>2015 Balance</b>
	<b>Transactions</b>	<b>as at year end</b>	<b>Transactions</b>	<b>as at year end</b>
	<b>for the year</b>		<b>for the year</b>	
Jarvis TB- Acting CFO	10 346	(40)	6 662	796
Pule RC- Legal and Compliance Manager	683	683	-	-
Sampson K- Community Services Director	6 980	887	7 883	3 409
Smith H. J- Technical Services Director	2 541	676	-	-
Tsatsimpe M- Corporate Services Director	4 396	(699)	5 032	2 454
Mabejane I- Deputy Community Services Director	23 463	4 372	10 796	4 506
	<b>48 409</b>	<b>5 879</b>	<b>30 373</b>	<b>11 165</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016

2015

### 41. Prior period errors

During the year under review, the following errors were identified for prior year Annual Financial Statements:

- Inventory was adjusted for by R846 800 for land which was recorded on the inventory listing but not belonging to the municipality as at year end and properties registered under the municipality belonging to the municipality. Consumables were corrected for an understatement of R1 800.
- Trade and other receivables (Receivables from non-exchange transactions) were overstated by R876 129. The error was as a result of sundry debtors that were not correctly billed, elimination of intermunicipal debt, write offs of unsubstantiated balances and housing loans misstatements. The errors were adjusted for accordingly. A net balance of R9 731 722 for Property rates receivables was reclassified from Receivables from exchange transactions (Consumer debtors) to Trade and other receivables (Receivables from non-exchange transactions). Motor vehicles and housing loans balance of R432 039 was also reclassified to Long term receivables.
- A net balance of R9 731 722 for Property rates receivables was reclassified from Receivables from exchange transactions (Consumer debtors) to Trade and other receivables (Receivables from non-exchange transactions). Receivables from exchange transactions were also adjusted for an overstatement of R271 941.
- An understatement of investment property by R5 297 977 for properties not recorded as at year end was corrected accordingly.
- Property, plant and equipment was adjusted for an overstatement of R44 298 880 related to depreciation misstatement, cut off and rights and obligations.
- VAT receivable was understated by R999 485 and was adjusted for accordingly.
- Intangible assets were adjusted for an understatement of R90 442 related to misstatement of amortisation and assets not accounted for as at year end.
- Payables from exchange transactions were adjusted for an understatement of R9 364 898 related to expenditure recorded in the incorrect period and incorrectly recorded respectively.
- Payables from non-exchange transactions were adjusted for an overstatement of R1 757 and were transferred to payables from exchange transactions due to a classification error. Employee benefit obligations were corrected for an overstatement of R1 570 956. Finance lease obligations were overstated by R221 369 and were adjusted accordingly.
- Other liabilities were adjusted for an overstatement of R37 900.
- Revaluation reserve was adjusted for an overstatement of R13 732 435 relating to valuation gains on properties that do not belong to the municipality.
- A balance of R432 039 was reclassified from Trade and other receivables (Receivables from non-exchange transactions) to Long term receivables. Long term receivables were also adjusted for an overstatement of R432 039.
- Accumulated surplus was adjusted for the net effect of prior period errors.
- Service charges were overstated by R 3 678 541 and were adjusted for accordingly. Rendering of services revenue of R355 574 was reclassified to service charges and some licenses and permits related revenue was reclassified to licences and permits.
- Rental of facilities was adjusted for an understatement of R945 414.
- An overstatement of interest received (trading) was adjusted for by R7 191.
- Sale of stands were overstated by R1 316 747 relating to stands deposits incorrectly recorded as income and were adjusted for accordingly.
- Other revenue was adjusted for an understatement of R445 614.
- Property rates were adjusted for an understatement of R4 963 169.
- Public contributions and donations were adjusted for an understatement of R1 421 427 relating to a donation which was incorrectly recorded as a payable.
- Impairment losses were adjusted for an overstatement of R1 800. The remainder of the balance previously classified as impairment loss was reclassified to general expenses.
- Operating lease rentals of R677 715 were reclassified to finance costs. Finance costs were adjusted for a misstatement of R 471 834.
- An understatement of R1 854 144 of Debt Impairment relating to sundry debtors was adjusted for accordingly.
- An understatement of Bulk purchases of R7 106 979 was adjusted for accordingly.
- Grant funded expenditure was adjusted for by R1 043 990 for expenditure recorded in the incorrect period. Additionally, Grant funded expenditure of R5 986 545 was reclassified to General expenses.
- An error of R7 391 332 on General expenses was corrected accordingly.
- Loss on disposal of assets was overstated by R388 028 and was adjusted for accordingly.
- R1 034 030 related to employee costs was reclassified from General expenses to Employee costs. A misstatement of R2 894 435 on Employee costs was adjusted for accordingly. Interest on actuarial valuations of R2 070 990 was reclassified from Employee costs to Finance costs.
- Sedibeng balance previously classified as repairs and maintenance was reclassified to General Expenses.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015		
<b>41. Prior period errors (continued)</b>				
Depreciation was adjusted for a misstatement of R3 545 269.				
Contracted services of R5 136 067 were reclassified from General Expenses.				
The net effect of reclassifications from General expenses is R21 169 053. General Expenses were adjusted for a misstatement of R11 843 642.				
The correction of the error(s) results in adjustments as follows:				
<b>Statement of financial position</b>	<b>As previously reported</b>	<b>Adjustments</b>	<b>Reclassifications</b>	<b>Restated</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Inventories	22 053 151	848 600	-	22 901 751
Trade and other receivables	13 354 786	(876 129)	9 299 683	21 778 340
VAT receivable	3 114 246	999 485	-	4 113 731
Receivables from exchange transactions	28 526 388	(271 940)	(9 731 722)	18 522 726
Cash and cash equivalents	812 068	-	-	812 068
	<b>67 860 639</b>	<b>700 016</b>	<b>(432 039)</b>	<b>68 128 616</b>
<b>Non-Current Assets</b>				
Investment property	1 663 123	5 297 977	-	6 961 100
Property, plant and equipment	1 025 482 079	(44 298 880)	-	981 183 199
Intangible assets	481 427	90 442	-	571 869
Heritage assets	1 650 000	-	-	1 650 000
Long term receivable	389 569	(432 039)	432 039	389 569
	<b>1 029 666 198</b>	<b>(39 342 500)</b>	<b>432 039</b>	<b>990 755 737</b>
	<b>1 097 526 837</b>	<b>(38 642 484)</b>	<b>-</b>	<b>1 058 884 353</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Other financial liabilities	2 293 905	-	-	2 293 905
Finance lease obligation	738 597	(116 059)	-	622 538
Payables from exchange transactions	30 632 635	9 364 896	6 292 832	46 290 363
Payables from non-exchange transactions	6 294 589	(1 757)	(6 292 832)	-
Consumer deposits	3 076 154	-	-	3 076 154
Employee benefit obligation	937 212	(157 283)	-	779 929
Unspent conditional grants and receipts	7 944 174	-	-	7 944 174
Other liabilities	37 900	(37 900)	-	-
Bank overdraft	181 117	-	-	181 117
	<b>52 136 283</b>	<b>9 051 897</b>	<b>-</b>	<b>61 188 180</b>
<b>Non-Current liabilities</b>				
Other financial liabilities	21 721 539	-	-	21 721 539
Finance lease obligation	844 815	(105 310)	-	739 505
Employee benefit obligation	24 202 731	(1 413 673)	-	22 789 058
Provisions	10 767 922	-	-	10 767 922
	<b>57 537 007</b>	<b>(1 518 983)</b>	<b>-</b>	<b>56 018 024</b>
<b>TOTAL LIABILITIES</b>	<b>109 673 290</b>	<b>7 532 914</b>	<b>-</b>	<b>117 206 204</b>
<b>NET ASSETS</b>	<b>987 853 547</b>	<b>(46 175 398)</b>	<b>-</b>	<b>941 678 149</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016		2015	
41. Prior period errors (continued)				
<b>Reserves</b>				
Revaluation reserve	34 569 850	(13 732 435)	-	20 837 415
Accumulated surplus	953 283 697	(32 442 963)	-	920 840 734
	<b>987 853 547</b>	<b>(46 175 398)</b>	<b>-</b>	<b>941 678 149</b>
<b>Statement of Financial Performance</b>				
	As previously reported	Adjustments	Reclassifications	Restated
<b>REVENUE</b>				
<b>Revenue from exchange transactions</b>				
Service charges	104 305 432	(3 678 541)	(314 923)	100 311 968
Rendering of services	355 574	-	(355 574)	-
Rental of facilities and equipment	1 406 614	945 414	-	2 352 028
Interest received (trading)	4 080 083	(7 191)	-	4 072 892
Licences and permits	3 914 480	-	670 497	4 584 977
Sale of stands	5 566 325	(1 316 747)	-	4 249 578
Other revenue	2 243 223	445 614	-	2 688 837
Interest received (investments)	1 693 142	-	-	1 693 142
	<b>123 564 873</b>	<b>(3 611 451)</b>	<b>-</b>	<b>119 953 422</b>
<b>Revenue from non-exchange transactions</b>				
Property rates	26 115 305	4 963 169	-	31 078 474
Government grants and subsidies	185 633 769	-	-	185 633 769
Public contributions and donations	19 528 276	1 421 427	-	20 949 703
Fines, Penalties and Forfeits	13 999 285	-	-	13 999 285
	<b>245 276 635</b>	<b>6 384 596</b>	<b>-</b>	<b>251 661 231</b>
<b>Expenditure</b>				
Employee related costs	(88 696 234)	(2 894 435)	1 036 960	Total (90 553 709)
Remuneration of councillors	(7 001 715)	-	-	(7 001 715)
Depreciation and amortisation	(49 148 848)	3 545 269	-	(45 603 579)
Impairment loss	(2 429 491)	1 800	2 377 605	(50 086)
Finance costs	(3 041 883)	471 834	(2 748 705)	(5 318 754)
Operating lease rentals	(677 715)	-	677 715	-
Debt impairment	(23 703 692)	(1 854 144)	-	(25 557 836)
Repairs and maintenance	(41 153 311)	-	18 975 000	(22 178 311)
Bulk purchases	(52 314 575)	(7 106 979)	-	(59 421 554)
Contracted services	(3 317 696)	-	(5 136 087)	(8 453 763)
Grants funded expenditure	(4 942 555)	(1 043 990)	5 986 545	-
General expenses	(45 079 714)	(11 843 642)	(21 169 053)	(78 092 409)
	<b>(321 507 429)</b>	<b>(20 724 287)</b>	<b>-</b>	<b>(342 231 716)</b>
Loss on disposal of assets	(381 542)	388 028	-	6 486
<b>Cash Flow Statement</b>				
	As previously reported	Adjustments	Reclassificationns	Restated
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Sale of goods and services	152 879 667	(11 051 140)	-	141 828 527
Grants	193 971 567	-	-	193 971 567
Interest income	1 693 142	-	-	1 693 142
	<b>348 544 376</b>	<b>(11 051 140)</b>	<b>-</b>	<b>337 493 236</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>41. Prior period errors (continued)</b>		
<b>Payments</b>		
Employee costs	(88 696 234)	(8 859 190)
Suppliers and other payments	(160 855 637)	21 449 399
Finance costs	(3 041 883)	(2 276 871)
Other payments	(3 180 658)	3 180 658
	<b>(255 774 412)</b>	<b>13 493 996</b>
		<b>(242 280 416)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(97 812 298)	(1 055 628)
Proceeds from sale of property, plant and equipment	(163 123)	176 207
Purchase of long term receivable	(389 569)	-
Purchase of investment property	-	(4 936 000)
Proceeds from sale of intangible assets	176 417	(176 417)
Purchase of intangible assets	-	(53 128)
	<b>(98 188 573)</b>	<b>(6 044 966)</b>
		<b>(104 233 539)</b>
<b>Cash flows from financing activities</b>		
Repayment of other financial liabilities	(2 191 435)	-
Movement in other liabilities	23 071	(23 071)
Finance lease payments	(479 266)	(221 369)
	<b>(2 647 630)</b>	<b>(244 440)</b>
		<b>(2 892 070)</b>
Net decrease in cash and cash equivalents	(8 066 239)	(3 831 720)
Cash and cash equivalents at the beginning of the year	12 543 739	-
	<b>4 477 500</b>	<b>(3 831 720)</b>
		<b>645 780</b>

## 42. Risk management

### Financial risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and accounts receivable. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivable comprise a widespread customer base. Management evaluated credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Receivables from exchange transactions	21 778 066	18 522 726
Trade receivables	19 767 409	21 778 340
Cash and cash equivalents	532 367	812 068
VAT receivable	29 459 373	4 113 731



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 42. Risk management (continued)

#### Market risk

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

### 43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for refuse collection. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 44. Unauthorised expenditure

Unauthorised expenditure	132 043 853	132 043 853
Current year	37 089 438	-
	<b>169 133 291</b>	<b>132 043 853</b>

### 45. Fruitless and wasteful expenditure

Opening Balance	774 418	361 939
Fruitless and wasteful expenditure	885 533	382 699
Interest on overdue accounts payable	96 349	29 780
	<b>1 756 300</b>	<b>774 418</b>

### 46. Irregular expenditure

Opening balance	183 549 607	82 944 052
Add: Irregular Expenditure - current year	53 211 335	100 605 555
Less: Amounts condoned	(180 676 057)	-
	<b>56 084 885</b>	<b>183 549 607</b>

### Analysis of expenditure condoned per age classification

Current year	-	100 605 555
Prior years	180 676 057	82 944 052
	<b>180 676 057</b>	<b>183 549 607</b>

The amount disclosed for irregular expenditure for the reported financial years is mainly as a result of the following reasons:

- Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) and (c).
- Bid specifications not drafted by bid specification committee (Bid specification committee was appointed during 2015/16).
- The amounts have been however condoned by council.

### 47. Events after the reporting date

Following the local government elections, the councillors listed below were appointed and took oath of office on 23 August 2016. Accordingly these are the councillors responsible for any subsequent resolutions and judgements made in connection with the financial statements subsequent to 23 August 2016.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>47. Events after the reporting date (continued)</b>		
• G.N. Masegela.		
S.N. Bloem		
G.C Assegaai		
T.E Meyers		
L.C. Moseki		
E.B Modise		
L. Moagi		
G.N. Mntuyedwa		
N.G. Disipi		
D.T. Mpata		
K.R. Makwati		
K.B. Selepe		
E.B. Leserwane		
I. Tshetshemeserogwe		
K.F Kanjeruba		
N.G. Ngesi		
B.A. Eiman		
L.N. Makoke		
N.G. Thuaemang		
O.D Mathibe		
L.R. Nelson		
W.A.S. Aucamp		
O.A. Leserwane		
M.F. Disang		
M.G. Reetsang		
M.P. Galeboe		
K.H. Chweu		
<b>48. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	52 192	23 033

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015	
48. Additional disclosure in terms of Municipal Finance Management Act (continued)			
Bulk Electricity and water Losses in terms of section 125 (2)(d)(i) of the MFMA			
30 June 2016	Lost units	Tariff	Value
Unaccounted electricity losses	5 072 377	0,90	4 565 139,30
30 June 2015			
Unaccounted electricity losses	13 579 454	0,88	11 949 919,52
Volume in KWH/year		2016	2015
System Input Volume		78 496 868	71 158 705
Billed Consumption		73 424 491	57 579 251
Distribution Loss		5 072 377	13 579 454
Percentage Distribution Loss (%)		6,5%	19,9%
30 June 2016	Lost units	Tariff	Value
Unaccounted for water losses	2 399 625	4,33	10 390 376,25
30 June 2015			
Unaccounted for water losses	3 013 260	5,55	16 723 593
Volume in KI/year		2016	2015
System Input Volume		4 687 422	4 858 067
Billed Consumption		2 287 797	1 844 807
Distribution Loss		2 399 625	3 013 260
Percentage Distribution Loss (%)		51,9%	62,03%
SDL			
Current year subscription / fee		860 012	780 413
PAYE and UIF			
Current year subscription / fee		12 552 586	8 171 178
Amount paid - current year		(12 552 586)	(8 171 178)
		-	-
Pension and Medical Aid Deductions			
Current year subscription / fee		22 221 019	7 420 311
Amount paid - current year		(22 221 019)	(7 420 311)
		-	-
VAT			
VAT receivable		29 459 373	4 113 731

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 48. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
E.B Modise	39	1 416	1 455
F.P Byleveld	724	-	724
N.G Morogong	1	19	20
S.M Ryan	702	160	862
G.C Assegaai	36	1 343	1 379
M.J Polelo	2	81	83
M.A.P Brink	4 995	25 828	30 823
T.G Anthony	5	108	113
T.E Meyers	21	503	524
C Keikabile	269	7 136	7 405
	<b>6 794</b>	<b>36 594</b>	<b>43 388</b>

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
M.A.P Brink	5 123	15 179	20 302
F.P Byleveld	722	-	722
Modise	956	-	956
	<b>6 801</b>	<b>15 179</b>	<b>21 980</b>

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand		2016	2015		
49. Budget differences					
Financial statement line item	Reference*	% Variance Final budget vs Actual amounts	Explanation of material differences between Final Budget vs Actual amounts	% Variance Approved vs Final budget	Explanation of material differences between Approved Budget and Final Budget amounts
STATEMENT OF FINANCIAL PERFORMANCE					
REVENUE					
Revenue from exchange transactions					
Sale of stands	1	-38,2%	The decrease is due to below expected sales of stands.	0%	-
Service charges	2	-18,76%	The underperformance with respect to service charges is largely driven by the below expected electricity sales.	-0,36%	-
Rental of facilities	3	3,88%	The increase is as a result of an increased demand for rental of facilities than expected.	21,1%	Final budget amounts increased in anticipation of an increase in demand of rental of facilities.
Interest on outstanding receivables	4	4,94%	-	11,68%	Final budget amounts were increased to take into account of the increase in receivables.
Licences and permits	5	38,9%	The increase is as a result of an increase in demand for licences and permits than anticipated.	2,04%	-
Other revenue	6	-25,84%	The decrease is as a result of a decrease in demand than anticipated.	9,98%	-
Interest on investments	7	-31,1%	The decrease is as a result of a reduction in funds invested as the municipality did not have sufficient funds to invest thereby leading to a reduction in interest earned than anticipated.	0%	-
Revenue from non-exchange transactions					

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand			2016	2015
<b>49. Budget differences (continued)</b>				
Property rates	8	-10,3%	The decrease is as a result of less properties billed than budgeted for. The decrease is also in line with the decrease in sale of stands. Less properties were transferred during the year than anticipated.	-
Government grants and subsidies	9	4,6%	-42,69%	This is as a result of a change in the approved grants
Public contributions and donations	10	16335,28%	There were no donations budgeted for on the original budget.	-
Fines, Penalties and Forfeits	11	19,74%	The increase is as a result of an increase in traffic fines billed compared to the projected amounts.	-
<b>EXPENDITURE</b>				
Depreciation and amortisation	12	-29,6%	Depreciation was not fairly budgeted for as it is a non cash item.	-
Finance costs	13	166,82%	The increase in finance costs is as a result of an increase in the municipality's financial liabilities.	-
Debt impairment	14	6224%	Debt impairment was under budgeted for as it is a non cash item.	-
Repairs and maintenance	15	-25,5%	The reduction is as a result of cost cutting measures implemented by the municipality due to cash flow problems. The decrease is also in line with the decrease in revenue.	-
Bulk purchases	16	-0,87%	0	-
Contracted services	17	-190,98%	This is a result of less actual expenditure on contracted services that anticipated.	-
<b>STATEMENT OF FINANCIAL POSITION</b>				
<b>ASSETS</b>				
<b>Current Assets</b>				

# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand			2016	2015
<b>49. Budget differences (continued)</b>				
Inventories	18	15,45%	The increase is as a 505% result of more subdivision of ERFs that was done during the year.	The increase as a result of ERFs that are registered under the municipality that were not recorded in the municipality's books when the approved budget was prepared.
Trade and other receivables	19	390,34%	The increase is as a 0% result of an increase in traffic fines and sundry debtors billed.	-
Receivables from exchange transactions	20	-3,85%	0%	-
Cash and cash equivalents	21	-88,11%	The decrease is as a -18,5% result of cash flow problems faced by the municipality.	The decrease for the final budget was as a result of the cash flow problems faced by the municipality.
<b>Non-Current Assets</b>				
Investment property	22	-318,56%	More investment properties were anticipated to be bought hence the decrease.	-151,6% The decrease is as a result of investment properties that were not taken into account of when the budget was prepared.
Intangible assets	23	-37,17%	The decrease is as a 0% result of amortisation which was under budgeted for.	-
Property, plant and equipment		-10,65%	This is as a result of 0% less projects that were done due to cash flow problems than anticipated.	
<b>LIABILITIES</b>				
Other financial liabilities	24	-7,44%	The decrease is as a 0% result of a less funds that were borrowed from DBSA for financing assets than anticipated.	-
Finance lease obligation	25	38,34%	The increase is as a 0% result of more finance lease assets that were acquired during the financial year than anticipated.	-
Payables from exchange transactions	26	671,49%	The increase is as a 0% result of contractors that were not paid as at year end.	-
Payables from non-exchange transactions	27	0	0%	-



# Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand				2016	2015
<b>49. Budget differences (continued)</b>					
Consumer deposits	28	34,8%	The increase is as a result of more consumer deposits that were not claimed for as at year end than anticipated.	0%	-
Unspent conditional grants	29	63,2%	The increase is a result of an increase in grants that were not spent as at year end than anticipated.	0%	-